

**CITY OF ADRIAN, MICHIGAN**  
**DIAL-A-RIDE SYSTEM ENTERPRISE FUND**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**  
**WITH**  
**INDEPENDENT AUDITORS' REPORT**

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name CITY OF ADRIAN, MI DIAL-A-RIDE PROGRAM	County LENAWEE
Fiscal Year End JUNE 30, 2006	Opinion Date AUGUST 7, 2006	Date Audit Report Submitted to State NOVEMBER 7, 2006	

We affirm that:


We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - ☒ ☐ The local unit has adopted a budget for all required funds.
  - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - ☒ ☐ The local unit is free of repeated comments from previous years.
  - ☒ ☐ The audit opinion is UNQUALIFIED.
  - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) ROBERTSON, EATON & OWEN, P.C.		Telephone Number (517) 265-6154	
Street Address 121 NORTH MAIN STREET		City ADRIAN	State MI
Zip 49221			
Authorizing CPA Signature 	Printed Name GARY OWEN	License Number 1101008646	

August 7, 2006

City of Adrian  
State of Michigan

### INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statements of net assets of the Dial-A-Ride System Enterprise Fund of the City of Adrian, Michigan as of June 30, 2006 and 2005, and the related statements of revenues, expenditures and changes in fund net assets, and cash flows for the years then ended. These financial statements are the responsibility of the City of Adrian, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Dial-A-Ride System Enterprise Fund of the City of Adrian, Michigan as of June 30, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the financial statements of the Dial-A-Ride System Enterprise Fund of the City of Adrian, Michigan. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

***Robertson, Eaton & Owen, P.C.***

**CITY OF ADRIAN, MICHIGAN**  
**DIAL-A-RIDE SYSTEM ENTERPRISE FUND**  
**STATEMENTS OF NET ASSETS**  
**June 30, 2006 and 2005**

<u><b>ASSETS</b></u>	<u><b>2006</b></u>	<u><b>2005</b></u>
<b>Current assets:</b>		
Due from other governments	\$ 45,158	\$ 71,838
Accounts Receivable	<u>300</u>	<u></u>
Total current assets	45,478	71,838
<b>Capital assets:</b>		
Vehicles, less accumulated depreciation of \$308,757 and \$310,858, respectively	<u>252,731</u>	<u>197,130</u>
Total assets	<u>\$ 298,209</u>	<u>\$ 268,968</u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Current liabilities:</b>		
Due to General Fund	\$ 36,116	\$ 61,153
Due to other governmental units	8,183	6,349
Vouchers payable	<u>1,179</u>	<u>4,336</u>
Total current liabilities	<u>45,478</u>	<u>71,838</u>
<b>Net assets:</b>		
Invested in capital assets – net of related debt	<u>252,731</u>	<u>197,130</u>
Total net assets	<u>\$ 252,731</u>	<u>\$ 197,130</u>

**CITY OF ADRIAN, MICHIGAN**  
**DIAL-A-RIDE SYSTEM ENTERPRISE FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS**  
**For the Years Ended June 30, 2006 and 2005**

		<u><b>2006</b></u>	<u><b>2005</b></u>
Operating revenues:	(Schedule 1)	\$ 87,590	\$ 77,507
Operating expenses:	(Schedule 2)	<u>(455,245)</u>	<u>(490,660)</u>
Operating loss		(367,655)	(413,153)
Nonoperating revenues:	(Schedule 3)	<u>228,039</u>	<u>222,458</u>
Loss before transfers and contributions		(139,616)	(190,695)
Transfer – General Fund of City of Adrian		84,285	136,695
Capital contribution – State		<u>110,932</u>	<u>          </u>
Change in net assets		55,601	(54,000)
Total net assets – beginning		<u>197,130</u>	<u>251,130</u>
Total net assets – ending		<u><u>\$ 252,731</u></u>	<u><u>\$ 197,130</u></u>

**CITY OF ADRIAN, MICHIGAN**  
**DIAL-A-RIDE SYSTEM ENTERPRISE FUND**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2006 and 2005**  
**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

	<u><b>2006</b></u>	<u><b>2005</b></u>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 87,270	\$ 77,507
Cash paid to suppliers	(196,040)	(212,199)
Cash paid to employees	<u>(205,197)</u>	<u>(223,465)</u>
Net cash used in operating activities	<u>(313,967)</u>	<u>(358,157)</u>
<b>Cash flows from noncapital financing activities:</b>		
Grant received - Federal	68,110	45,639
Grant received - State	186,609	160,561
Operating transfers from General Fund	<u>59,248</u>	<u>151,957</u>
Net cash provided by noncapital financing activities	<u>313,967</u>	<u>358,157</u>
Net increase (decrease) in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	<u>-</u>	<u>-</u>
Cash and cash equivalents at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**CITY OF ADRIAN, MICHIGAN**  
**DIAL-A-RIDE SYSTEM ENTERPRISE FUND**  
**STATEMENTS OF CASH FLOWS**

**For the Years Ended June 30, 2006 and 2005**

**RECONCILIATION OF OPERATING LOSS TO NET CASH  
USED IN OPERATING ACTIVITIES**

	<u><b>2006</b></u>	<u><b>2005</b></u>
Operating loss	<u><b>\$ (367,655)</b></u>	<u><b>\$ (413,153)</b></u>
<b>Adjustments to reconcile operating loss to net cash used in operating activities:</b>		
Depreciation	55,331	54,000
<b>Changes in Assets and Liabilities;</b>		
Increase (decrease) in accounts receivable	(320)	
Increase (decrease) in vouchers payable	(3,157)	74
Increase (decrease) in due to County	<u>1,834</u>	<u>922</u>
Total adjustments	<u>53,688</u>	<u>54,996</u>
Net cash used in operating activities	<u><b>\$ (313,967)</b></u>	<u><b>\$ (358,157)</b></u>

**CITY OF ADRIAN, MICHIGAN**  
**DIAL-A-RIDE SYSTEM ENTERPRISE FUND**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2006 and 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The records of the Dial-A-Ride System Enterprise Fund are maintained on the accrual basis of accounting, as prescribed by the State of Michigan.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**2. PROPERTY ASSETS**

Vehicles are stated at cost or fair market value at date of gift. The vehicles in use by the Dial-A-Ride System Enterprise Fund are purchased by the State. If the program should end, the vehicles would be returned to the State. The buses are depreciated over four years on a straight line basis.

Radios, computer equipment, and office furnishings have also been received from the State and are being depreciated over four, five, and ten years, respectively, on a straight line basis.

Property assets on the balance sheet at June 30, 2006 are:

Building	\$ 39,305
Radios	19,258
Equipment and office furnishings	32,992
Vehicle cost	469,933
Less: Accumulated depreciation	<u>(308,757)</u>
	<u>\$ 252,731</u>

**3. COMMITMENTS**

The City of Adrian has contracted with Quick Service Transportation Company of Adrian, Michigan to operate the Dial-A-Ride System Enterprise Fund. The City of Adrian pays the Transportation Company \$388 per month for rental of a dispatch center and bus parking area, \$1,390 per month for administrative duties and makes reimbursement for all direct expenses of Dial-A-Ride.

**4. TRANSPORTATION AGREEMENT AND COST ALLOCATION**

The Dial-A-Ride System provides semi-fixed route service to the City of Adrian residents. The Lenawee Transportation Corporation (LTC) operates a separate service for Lenawee County residents. On September 17, 1984, LTC and the City of Adrian entered into an agreement to provide public transportation to both service areas by sharing in a transportation coordinator, clerical and support assistance, and office space.



**CITY OF ADRIAN, MICHIGAN**  
**DIAL-A-RIDE SYSTEM ENTERPRISE FUND**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2006 and 2005**

**4. TRANSPORTATION AGREEMENT AND COST ALLOCATION (Continued)**

LTC pays the wages and fringe benefits of the transportation coordinator, and the City of Adrian provides the clerical and support assistance, and office space for LTC.

At this time, a formula has been worked out for the allocation of costs between Lenawee Transportation Corporation and the City of Adrian. This formula or allocation plan has been accepted by the Michigan Department of Transportation. Based on this plan, the allocated costs have been determined for the year. The difference in the allocated costs between the two units has been set up as a receivable or payable by the applicable unit.

**5. CAPITAL GRANTS**

In fiscal year 2005-06, the Dial-A-Ride System Enterprise Fund had the following capital grant activity:

<u>Capital Grant Contract Number</u>	<u>Grant Award</u>	<u>2005-06 Expenditures</u>	<u>Prior Year Expenditures</u>	<u>Remaining Grant</u>
200-0460/A3	\$ 490,649	\$	\$ 160,808	\$ 329,841
98-0792/A6	65,000	39,305		25,695
2001-0527/Z8	417,565		96,688	320,877
2001-0850/A1	468,750			468,750
MI-18-X034	150,000			150,000
MI-03-0186	67,318	67,318		-
MI-03-0176	1,899	1,899		-
MI-03-0215	2,409	1,510		899
MI-18-X038	16,000	1,261		14,739

**6. CHANGES IN CAPITAL CONTRIBUTIONS**

Changes in capital contributions for the year ended June 30, 2006 consist of the following:

	<u>State</u>	<u>Local</u>	<u>Total</u>
Balance - July 1, 2005	\$ 197,130	\$ -	\$ 197,130
<b>Add:</b>			
New property assets	110,932		110,932
<b>Deduct:</b>			
Depreciation	<u>(55,331)</u>	<u>          </u>	<u>(55,331)</u>
Balance - June 30, 2006	<u>\$ 252,731</u>	<u>\$ -</u>	<u>\$ 252,731</u>

**CITY OF ADRIAN, MICHIGAN**  
**DIAL-A-RIDE SYSTEM ENTERPRISE FUND**  
**OPERATING REVENUES**

**For the Years Ended June 30, 2006 and 2005**

	7/01/05 To <u>9/30/05</u>	10/01/05 To <u>6/30/06</u>	7/01/04 To <u>9/30/04</u>	10/01/04 To <u>6/30/05</u>
<b>Operating revenues:</b>				
Fares	\$ 20,622	\$ 66,421	\$ 20,022	\$ 57,235
Other	<u>          </u>	<u>547</u>	<u>          </u>	<u>250</u>
Total operating revenues	<u>\$ 20,622</u>	<u>\$ 66,968</u>	<u>\$ 20,022</u>	<u>\$ 57,485</u>

**CITY OF ADRIAN, MICHIGAN**  
**DIAL-A-RIDE SYSTEM ENTERPRISE FUND**  
**OPERATING EXPENSES**

**For the Years Ended June 30, 2006 and 2005**

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total System</u>
<b>Labor:</b>				
Salaries and wages	\$ 205,197	\$	\$	\$ 205,197
Other salaries and wages	15,662		2,000	17,662
Fringe benefits	76,080			76,080
<b>Services:</b>				
Advertising			852	852
Other services		37,346	2,350	39,696
<b>Materials and supplies consumed:</b>				
Fuel and lubricants	43,999			43,999
Other materials and supplies	3,900		346	4,246
<b>Utilities:</b>				
Telephone	2,705			2,705
Casualty and liability insurance costs	5,532			5,532
Leases and rentals	3,945			3,945
Depreciation	<u>55,331</u>	<u>          </u>	<u>          </u>	<u>55,331</u>
For year ended June 30, 2006	<u>\$ 412,351</u>	<u>\$ 37,346</u>	<u>\$ 5,548</u>	<u>\$ 455,245</u>
For year ended June 30, 2005	<u>\$ 443,343</u>	<u>\$ 37,999</u>	<u>\$ 9,318</u>	<u>\$ 490,660</u>

## CITY OF ADRIAN, MICHIGAN

## DIAL-A-RIDE SYSTEM ENTERPRISE FUND

## NONOPERATING REVENUES

For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<b>State of Michigan Operating Grant -</b>		
Formula Operating Assistance (Act 51) -		
State's current year	\$ 116,569	\$ 120,364
Formula Operating Assistance (Act 51)		
State's prior year ended September 30, 2005	48,240	49,740
Formula Operating Assistance (Act 51) -		
other prior years	5,501	
<b>U.S. D.O.T. -</b>		
Operating Grant - Section 5311 -		
State's current year	44,191	38,829
Operating Grant - Section 5311 - State's		
prior year ended September 30, 2005	<u>13,538</u>	<u>13,525</u>
Total nonoperating revenues	<u>\$ 228,039</u>	<u>\$ 222,458</u>

## CITY OF ADRIAN, MICHIGAN

## DIAL-A-RIDE SYSTEM ENTERPRISE FUND

## SCHEDULE OF EXPENSES BY CONTRACT AND GENERAL OPERATIONS

For the Year Ended June 30, 2006

	<u>Grants</u>	<u>Operation</u>	<u>Total</u>
Labor	\$	\$ 205,197	\$ 205,197
Other salaries and wages		17,662	17,662
Fringe benefits		76,080	76,080
Services		40,548	40,548
Materials and supplies		48,245	48,245
Utilities		2,705	2,705
Casualty and liability costs		5,532	5,532
Depreciation		55,331	55,331
Leases and rentals		<u>3,945</u>	<u>3,945</u>
	<u>\$ -</u>	<u>\$ 455,245</u>	<u>\$ 455,245</u>

## CITY OF ADRIAN, MICHIGAN

## DIAL-A-RIDE SYSTEM ENTERPRISE FUND

## NET ELIGIBLE COSTS COMPUTATIONS OF GENERAL OBLIGATIONS

For the Year Ended June 30, 2006

	<u>Federal Section 5311</u>		<u>State Operating Assistance</u>	
	<u>7/01/05</u> <u>to</u> <u>9/30/05</u>	<u>10/01/05</u> <u>to</u> <u>6/30/06</u>	<u>7/01/05</u> <u>to</u> <u>9/30/05</u>	<u>10/01/05</u> <u>To</u> <u>6/30/06</u>
<b>Expenses:</b>				
Labor	\$ 54,664	\$ 150,533	\$ 54,664	\$ 150,533
Other salaries and wages	4,565	13,097	4,565	13,097
Fringe benefits	15,422	60,658	15,422	60,658
Services	12,904	27,644	12,904	27,644
Materials and supplies	11,915	36,330	11,915	36,330
Utilities	680	2,025	680	2,025
Casualty and liability costs	1,909	3,623	1,909	3,623
Depreciation	13,827	41,504	13,827	41,504
Leases and rentals	<u>900</u>	<u>3,045</u>	<u>900</u>	<u>3,045</u>
Total expenses	<u>116,786</u>	<u>338,459</u>	<u>116,786</u>	<u>338,459</u>
Less ineligible expenses -				
Depreciation	(13,827)	(41,504)	(13,827)	(41,504)
RTAP reimbursement	-	-	-	-
Audit fee	<u>-</u>	<u>(2,350)</u>	<u>-</u>	<u>-</u>
Total ineligible expenses	<u>(13,827)</u>	<u>(43,854)</u>	<u>(13,827)</u>	<u>(41,504)</u>
Total eligible expenses	<u>\$ 102,959</u>	<u>\$ 294,605</u>	<u>\$ 102,959</u>	<u>\$ 296,955</u>
Maximum Section 5311				
Reimbursement - 12.4%	<u>\$ 12,767</u>			
Reimbursement - 15.0%		<u>\$ 44,191</u>		
State Assistance -				
Limited To 39.9234%			<u>\$ 45,873</u>	
(Includes adjustment of first nine months)				
Limited to 39.2546%				<u>\$ 116,568</u>

**CITY OF ADRIAN, MICHIGAN**  
**DIAL-A-RIDE SYSTEM ENTERPRISE FUND**  
**MILEAGE DATA**

**For the Year Ended June 30, 2006**

<u>Demand – Response</u>	<u>Public Transportation Mileage</u>
First Quarter	\$ 35,484
Second Quarter	35,877
Third Quarter	38,480
Fourth Quarter	<u>36,572</u>
	<u>\$146,413</u>

**NOTE:** The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

August 7, 2006

Honorable Mayor and  
Members of the City Commission  
City of Adrian, Michigan

We have audited the financial statements of the City of Adrian, Michigan and the combining, individual fund and account group financial statements of the City of Adrian, Michigan as of and for the year ended June 30, 2006, and have issued our report thereon dated August 7, 2006.

In planning and performing our audit of the financial statements of the City of Adrian, Michigan for the year ended June 30, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

The management of the City of Adrian, Michigan is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we are reporting to you in the remainder of this report. This report is intended solely for the use of management and should not be used for any other purpose.



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August 7, 2006

Honorable Mayor and  
Members of the City Commission  
City of Adrian, Michigan

### **CENTRALIZED LOCATION OF GRANT DOCUMENTS**

The City applies for and receives numerous grants every year. The City department requesting a grant is responsible for the proper administration and accounting for the grant.

As an auditor or any other individual wanting to review the grants of the City, much time is spent tracking down grant documents from the various departments.

The suggestion would be to have a centralized location where a copy of each City grant is kept on file. The file would include the grant application, grant acceptance and accounting documents. Having such files could be a useful reference when applying for a similar grant in the future.

### **PROPERTY ASSET RECORDS**

The property assets records (depreciation schedules) of the Utilities Department might be updated periodically throughout the year. This would lessen the amount of work needed in this area at year-end.

### **INVESTMENT RECORDS**

The City has contracted with SJS Investment Consulting, Inc. to summarize and analyze the City's investment activity throughout the year. Such analysis should provide timely insight into investment performance, and allow for a better basis on which to make investment decisions.

### **PENSION PLAN**

The latest update on the City's defined benefit pension plan with MERS (Municipal Employees Retirement System of Michigan) is from the actuarial report of December 31, 2005. The unfunded actuarial accrued liability was \$4,835,802 at December 31, 2005. The unfunded liability at December 31, 2004 was \$4,443,829.

The projected City contributions to this plan for 2006-07 is \$705,552. The actual City contribution for 2005-06 was \$624,802.

### **FINANCIAL CONDITION**

The City of Adrian continues to be in good financial condition. Total fund balance in the General Fund was \$6,044,166 at June 30, 2006, of which \$2,152,082 was unrestricted and undesignated. The General Fund did use \$518,202 of its equity to support current year expenditures.

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August 7, 2006

Honorable Mayor and  
Members of the City Commission  
City of Adrian, Michigan

**FINANCIAL CONDITION (Continued)**

All funds of the City had positive fund balances at June 30, 2006. However, several funds have low unrestricted equity balances relative to the fund's total expenditures incurred. Wastewater System Fund's unrestricted equity was \$399,915 or 11% of total operating expenses. Water System Fund's unrestricted equity was \$475,771 or 17% of its total operating expenses. Storm Water Utility has unrestricted equity of \$129 or .06% of operating expenses. The Dial-A-Ride System has no unrestricted equity.

Again, we appreciate the assistance provided by the City during our audit.

***Robertson, Eaton & Owen, P.C.***